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INTELLIGENCE MEMORANDUM

THE SITUATION IN MALAYSIA

DIRECTORATE OF INTELLIGENCE

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
12 October 1966

INTELLIGENCE MEMORANDUM

The Situation in Malaysia

SUMMARY

Malaysia has a stable central government, a buoyant economy, and a political situation free from any immediate major subversive threat. However, the country's multiracial complexion--including a large Chinese minority--and its division into two geographically separated and very different areas constitute basic divisive factors with serious future implications. Moreover, although the ending of Indonesian confrontation has been followed by a detente in Malaysian/Indonesian relations, Indonesia appears not to have abandoned its ultimate objective of separating the Borneo states from Malaysia. The end of confrontation and the UK's economic difficulties, furthermore, have prompted the UK to reduce its military commitments in the country, with potentially significant adverse consequences to Malaysia's future security. Malaysian relations with the US are increasingly close and friendly, and Kuala Lumpur strongly supports US policy in South Vietnam.

NOTE: This is one of a series of memoranda produced by CIA on those countries to be visited by President Johnson. It was prepared by the Office of Current Intelligence and coordinated with the Office of National Estimates and the Office of Research and Reports.

The Political Situation

1. When it was formally inaugurated in September 1963, Malaysia incorporated what had formerly been the independent Federation of Malaya, the semi-autonomous British-protected State of Singapore, and the British Crown Colonies of Sarawak and Sabah in northern Borneo. However, differences between Chinese-dominated Singapore and the Malay-dominated central government in Kuala Lumpur led to the political separation of Singapore from Malaysia in September 1965. Since then virtually all residual economic ties between Singapore and Malaysia have been severed.

2. As now constituted Malaysia is a constitutional monarchy modeled generally on the British parliamentary structure. Democratic processes are the accepted method of achieving power, and there is a competent civil service and internal security apparatus. However, the present political stability is potentially threatened by friction between the politically favored Malays and the economically powerful Chinese (who comprise 44 percent and 36 percent of the total population respectively) and between the central government and autonomy-minded elements in Sarawak and Sabah.

3. In Kuala Lumpur the government is controlled by the Alliance, a conservative coalition of the three principal communal (ethnic) parties: the UMNO (United Malay Nationalist Organization), the MCA (Malayan Chinese Association), and the MIC (Malayan Indian Congress). Of these the UMNO is by far the largest and most important element. The Alliance is not seriously challenged by any political opponent, its principal problem being divisions within its own ranks.

4. The illegal Malaysian Communist Party (MCP), which posed a serious insurgent threat from 1948 through the 1950s, has penetrated some of the minor leftist parties

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5. Heading the government is Prime Minister Abdul Rahman, who also presides over both the Alliance and the UMNO. The 63-year-old Rahman is popular and politically astute, but his health is not good, and there is considerable speculation and political jockeying stemming from the expectation that a successor will have to be found within the next two or three years. The heir apparent is Deputy Prime Minister Dato Abdul Razak, a more forceful and perhaps more capable figure, but one who is less popular and less predisposed to the cause of maintaining good Malay/Chinese relations. Razak's assumption of power would not result in any significant change in the strongly anti-Communist orientation of the government, but he would probably cater somewhat to the more extremist Malay views, thereby antagonizing Chinese sensibilities and endangering the delicate balance now existing between the two groups.

Developments in Eastern Malaysia

6. The most critical political problem facing the government is the growing dissatisfaction in Eastern Malaysia, particularly in Sarawak, with Kuala Lumpur's rule. This discontent has been manifested in demands for greater autonomy, especially from among the indigenous tribal elements. In September Kuala Lumpur declared Sarawak under a state of emergency and engineered the replacement of the pro-autonomy Chief Minister, Stephan Ningkan, by the less popular and less competent Tawi Sli [redacted]

7. Although this move appears to leave the immediate situation stabilized, it has intensified popular resentment in Sarawak toward the Kuala Lumpur regime. Observers believe that pro-autonomy elements will emerge victorious in the elections anticipated next year and that pressures for full secession of Sarawak from Malaysia will grow.

The Economy

9. Malaysia is the world's largest producer of tin and natural rubber, but its heavy dependence on these basic export commodities makes its economy highly vulnerable to fluctuations in the world market. Although Malaysia maintains one of the highest per capita GNP rates in Southeast Asia, declining world prices in rubber, high defense appropriations incurred as a result of confrontation, and a rapid population growth have tended to slow economic growth in recent years. Reductions in UK and Commonwealth security and defense support, moreover, are now forcing Malaysia to draw increasingly on its own resources in these fields. Malaysia is now embarked on a comprehensive five-year development plan, but its success will depend to a great extent on foreign assistance.

Foreign Policy

10. The detente in Malaysian/Indonesian relations and the weakening of ties with the UK have been accompanied by a growing interest within Malaysia in broadening ties with the nonaligned and Communist countries (excluding Communist China), although the basic pro-Western orientation of the government is not expected to be modified. Fearful of the effect that recognition of Peking would have on its own large Chinese minority, Malaysia continues to oppose any move in this direction.

11. Despite current reductions in UK military and economic aid to Malaysia, political relations with the UK and other Commonwealth countries are expected to remain relatively friendly and economic and trade ties will probably remain strong. Moreover, the British are expected to retain their naval and air units and facilities in Singapore, albeit on a reduced scale, for the next two or three years.

12. Malaysian leaders see the US as their principal protection against external attack and have voiced firm public support for the US position in Vietnam. The US has provided some relatively modest economic assistance to Malaysia in the past, and the reduction in UK commitments will almost certainly result in requests for additional aid in the future.

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